

Message Text

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ACTION AGR-20

INFO OCT-01 EUR-25 ISO-00 EB-11 OMB-01 SAJ-01 COME-00

TRSE-00 SIL-01 LAB-06 PA-04 PRS-01 USIA-15 CIAE-00

INR-10 NSAE-00 RSC-01 SPC-03 SAM-01 DRC-01 /102 W

----- 018571

R 131819Z FEB 74

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 7970

UNCLAS SECTION 01 OF 02 LONDON 02002

PASS AGRICULTURE FOR HUME/FAS

E*.O. 11652: N/A

TAGS: EAGR, UK

SUBJECT: UK ANNUAL REVIEW AND DETERMINATION OF
GUARANTEES 1974

1. SUMMARY. UK ANNUAL REVIEW AND DETERMINATION OF
GUARANTEES FOR AGRICULTURE WAS ANNOUNCED BY MINISTER OF
AGRICULTURE GODBER ON FEBRUARY 12. ALL REVIEW
COMMODITIES EXCEPT EGGS AND SUGAR BEET RECEIVE INCREASES
IN GUARANTEED PRICES IN 1974-75. EGG AND SUGAR BEET
GUARANTEES WILL BE TERMINATED AND FERTILISER AND LIME
SUBSIDIES ABOLISHED. MAJOR EMPHASIS IN THE REVIEW IS ON
MILK. ON OTHER COMMODITIES, HIGH MARKET PRICES WILL MAKE
DEFICIENCY PAYMENTS UNLIKELY.

2. IN ANNOUNCING THE REVIEW, MINISTER GODBER SAID THAT
THE COSTS INCURRED BY BRITISH AGRICULTURE IN 1973-74 HAD
RISEN BY 712 MILLION POUNDS (1,613 MILLION DOLLARS AT
ONE POUND EQUALS 2.265 DOLLARS). COST RISES ARE DUE TO
HIGHER PRICES OF CEREALS, MACHINERY AND OIL MAINLY AND
RISING LABOUR COSTS. FARMING NET INCOME HAS RISEN BY
392 MILLION POUNDS (888 MILLION DOLLARS) TO 1,224
MILLION POUNDS (2,772 MILLION DOLLARS) PARTLY DUE TO
THE RISE IN THE RETURNS OF GRAIN FARMERS BUT ALSO TO THE
RISE IN VALUATIONS OF STOCK. IN MONEY TERMS NET INCOME
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WAS UP 11 PER CENT.

3. THE MAJOR AWARD IN THE REVIEW IS ON MILK WITH AN UNPRECEDENTED RETROSPECTIVE INCREASE IN THE GUARANTEED PRICE. THE 1973-74 STANDARD QUANTITY ON WHICH THE GUARANTEED PRICE IS PAID HAS BEEN RAISED BY 580.5 MILLION IMPERIAL GALLONS (27 PER CENT) TO 2,743.5 MILLION GALLONS. TO REFLECT THIS, WITHIN A FEW WEEKS MILK PRODUCERS WILL RECEIVE A RETROSPECTIVE PAYMENT OF ONE AND A HALF PENCE PER GALLON (0.33 CENTS PER POUND) ON 1973-74 MILK PRODUCTION WHICH WILL GIVE THEM A LUMP SUM PAYMENT TALLING 40 MILLION POUNDS (90.6 MILLION DOLLARS). IN 1974-75 THE GUARANTEED PRICE OF MILK WILL BE 26.27 PENCE PER IMPERIAL GALLON (5.77 CENTS PER POUND) WHICH IS 1.66 PENCE PER GALLON (0.365 CENTS PER POUND) OR 7 PER CENT ABOVE THE 1973-74 ORIGINAL GUARANTEED PRICE. THIS INCREASE IS THE MAXIMUM POSSIBLE ALLOWED UNDER TERMS OF BRITISH ENTRY INTO THE EEC. IN ORDER, HOWEVER, EFFECTIVELY TO PROVIDE FOR AN EVEN LARGER INCREASE IN FARMERS' RETURNS FROM MILK, THE 1974-75 STANDARD QUANTITY IS BEING INCREASED BY 156.5 MILLION GALLONS OR 5 1/2 PER CENT ABOVE THE REVISED STANDARD QUANTITY FOR 1973-74 TO 2,900 MILLION IMPERIAL GALLONS. THIS MEANS IN EFFECT THAT ALMOST THE ENTIRE MILK PRODUCTION OF THE UK WILL BE COVERED BY THE STANDARD QUANTITY WHICH WILL HAVE THE EFFECT OF RAISING THE 1974-75 GUARANTEED PRICE OF MILK BY 3.5 PENCE PER GALLON (0.768 CENTS PER POUND). THE AWARD ON MILK, INCLUDING THE RETROSPECTIVE 1973-74 PAYMENT, WILL MEAN THAT PRODUCERS RECEIVE A 145 MILLION POUNDS (328 MILLION DOLLARS) INCREASE IN THEIR INCOMES IN 1974-75. IT IS HOPED THAT THE PROMISE OF HIGHER PRICES IN 1974-75 PLUS THE RETROSPECTIVE PAYMENT FOR 1973-74 WILL BRING TO AN END THE CURRENT INCREASE IN COW SLAUGHTER AND HELP MAKE MORE REMUNERATIVE THE PRODUCTION OF CALVES FROM THE DAIRY HERD FOR BEEF.

4. IF NORMAL PRACTICES HAD BEEN ADHERED TO THE AWARD ON MILK WOULD HAVE INVOLVED A RISE IN THE RETAIL PRICE OF FLUID MILK WHICH IS GOVERNMENT CONTROLLED, BUT BECAUSE OF THE INFLATIONARY IMPACT, NOT TO MENTION THE POLITICAL UNCLASSIFIED

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DANGERS, OF DOING THIS, MINISTER GODBER SAID THAT THE COST OF THE RISE IN THE MILK GUARANTEE WILL BE BORNE BY THE EXCHEQUER AS A CONSUMER SUBSIDY SUBJECT TO APPROVAL BY THE NEW GOVERNMENT AFTER THE GENERAL ELECTION ON FEBRUARY 28.

5. ON OTHER CAP COMMODITIES, THERE IS A 2.92 POUND PER LONG TON (17.7 CENTS PER BUSHEL) OR 8 PER CENT INCREASE

TO 39.62 POUNDS PER TON (2.40 CENTS PER BUSHEL) IN THE
GUARANTEED PRICE OF WHEAT. THE BARLEY GUARANTEED PRICE
RISES BY 2.53 POUNDS PER TON (12.3 CENTS PER BUSHEL) OR
7 1/2 PER CENT TO 35.73 POUNDS PER TON (1.73 DOLLARS PER

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INR-10 NSAE-00 RSC-01 SPC-03 SAM-01 DRC-01 /102 W

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R 131819Z FEB 74

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BUSHEL) WHILE THE OATS GUARANTEE GOES UP BY 2.20 POUNDS
PER TON (7.1 CENTS PER BUSHEL) OR 7 PER CENT TO 34.20
POUNDS PER TON (1.11 DOLLARS PER BUSHEL).

6. IN THE LIVESTOCK SECTOR OF THE CAP THE ONLY
APPLICABLE AWARD IS ON FAT PIGS SINCE FAT CATTLE WERE
REMOVED FROM THE GUARANTEE SYSTEM LAST YEAR. THE FAT
PIGS GUARANTEE WILL GO UP BY 3 PENCE PER SCORE OF 20
POUNDS (0.34 CENTS PER POUND) OR A LITTLE UNDER 1 PER
CENT TO 3.49 POUNDS PER SCORE (39.5 CENTS PER POUND).
THE SMALLNESS OF THIS INCREASE IS DUE TO THE LIMITATION
PLACED ON UK GOVERNMENT ACTION BY EC ARRANGEMENTS.
MINISTER GODBER SAID, HOWEVER, THAT THE REMAINDER OF THE
COMMUNITY WILL BE APPROACHED WITH A VIEW TO ABOLISHING
THE MONETARY COMPENSATORY AMOUNTS WHICH THEY RECEIVE
ON THE EXPORT OF PIGMEAT TO THE UK IN ORDER TO MAKE
IMPORTS LESS COMPETITIVE WITH UK PRODUCERS.

7. THE GUARANTEE ON EGGS AND SUGAR BEET, THE TWO REMAINING CAP COMMODITIES FORMERLY SUBJECT TO THE REVIEW, WILL BE TERMINATED IN 1974-75. SUPPORT OF SUGAR BEET WILL NOW DEPEND ENTIRELY ON THE RESULTS OF THE EEC PRICE REVIEW FOR THE COMING YEAR.

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8. ON NON-CAP COMMODITIES THE AWARDS INCLUDE A LARGE INCREASE ON POTATOES, A MODERATE ONE ON FAT SHEEP BUT ONLY A SMALL RISE ON WOOL. THE POTATO GUARANTEE RISES BY 5 POUNDS PER LONG TON (50.5 CENTS PER 100 POUNDS) OR 29 PER CENT TO 22 POUNDS PER LONG TON (2.22 DOLLARS PER 100 POUNDS). THE FAT SHEEP GUARANTEE GOES UP BY 3 PENCE PER POUND (6.8 CENTS PER POUND) OR 11 1/2 PER CENT TO 29.5 PENCE PER POUND (66.8 CENTS PER POUND). THE WOOL GUARANTEE, HOWEVER, RISES BY ONLY ONE PENNY PER POUND (2.3 CENTS) OR 4 PER CENT TO 26.0 PENCE PER POUND (58.9 CENTS PER POUND).

9. THE FERTILISER AND LIME SUBSIDIES WILL BE ABOLISHED.

10. NATIONAL FARMERS' UNION REACTION TO THE REVIEW WAS LESS THAN ENTHUSIASTIC. THE AWARD ON MILK WAS DESCRIBED AS "A HOLDING OPERATION" AND THE UNION SAID THE 3 1/2 PENCE PER GALLON EXTRA FOR 1974-75 WAS SCARCELY ENOUGH TO MEET RISING COSTS AND IT WAS UNLIKELY TO LEAD TO AN EXPANSION IN MILK PRODUCTION. THE UNION ATTACKED AS "TOTALLY INADEQUATE" THE AWARD ON WOOL AND DESCRIBED THE WITHDRAWAL OF THE FERTILISER AND LIME SUBSIDIES AS A RETROGRADE STEP.

11. MINISTER GODBER CLEARED THE REVIEW WITH THE EEC BEFORE YESTERDAY'S ANNOUNCEMENT BUT REPORTS FROM BRUSSELS IN TODAY'S PRESS INDICATE THAT THE COMMISSION IS UNHAPPY ABOUT THE RISE IN THE STANDARD QUANTITY FOR MILK AS A MEANS OF INCREASING THE MILK GUARANTEE ABOVE THE MAXIMUM ALLOWABLE UNDER COMMUNITY ARRANGEMENTS. THE COMMISSION IS REPORTED TO BE ASKING FOR FURTHER CLARIFICATION AND EXPLANATION.

12. BECAUSE MARKET PRICES FOR REVIEW COMMODITIES IN 1974-75 ARE EXPECTED TO BE ABOVE GUARANTEE LEVELS, NO OUTLAY ON DEFICIENCY PAYMENTS SHOULD ARISE.

13. NO WHITE PAPER WAS ISSUED WITH THE REVIEW BUT ONE WILL BE RELEASED FOR CONSIDERATION BY THE NEW PARLIAMENT AFTER FEBRUARY 28. AGR DESPATCH FOLLOWS
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WHEN WHITE PAPER IS PUBLISHED.

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NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: AGRICULTURAL PRODUCTION, AGRICULTURAL PRICES, AGRICULTURAL PROGRAMS
Control Number: n/a
Copy: SINGLE
Draft Date: 13 FEB 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974LONDON02002
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
From: LONDON
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740236/aaaabhoz.tel
Line Count: 229
Locator: TEXT ON-LINE
Office: ACTION AGR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators:
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 25 FEB 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <25 FEB 2002 by elbezefj>; APPROVED <31 MAY 2002 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: UK ANNUAL REVIEW AND DETERMINATION OF GUARANTEES 1974
TAGS: EAGR, UK
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005